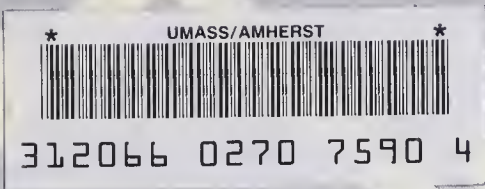


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# A GUIDE TO PRODUCING AFFORDABLE HOUSING

Massachusetts  
Executive  
Office of  
Communities  
& Development

Michael S. Dukakis  
Governor

Amy S. Anthony  
Secretary



# EXECUTIVE OFFICE OF COMMUNITIES & DEVELOPMENT



Michael S. Dukakis, Governor  
Amy S. Anthony, Secretary

October 1, 1987

Dear Reader:

The need to increase the supply of affordable housing is being felt in communities throughout the Commonwealth. The challenge has never been greater, nor has the opportunity. In Massachusetts, we are fortunate to have a committed governor and supportive state legislature, a strong network of private and non-profit housing developers, and local communities which are working as partners in the effort to create additional affordable housing. Considerable state resources exist to aid in the effort.


The purpose of this guide is to provide information about state housing programs and resources which are available for the production of affordable housing. As you will see, considerable resources exist to support the production of housing for rental and ownership by private and non-profit developers.

I hope you will find this guide useful as you work to create new housing in your community.

Sincerely,

A handwritten signature in cursive script that reads "Amy S. Anthony".

Amy S. Anthony  
Secretary



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A GUIDE TO PRODUCING AFFORDABLE HOUSING

Michael S. Dukakis, Governor, Commonwealth of Massachusetts  
Amy S. Anthony, Secretary  
Executive Office of Communities and Development

Prepared By:  
The Cottonwood Company  
August 1987





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## I. INTRODUCTION

The unprecedented expansion of the Massachusetts economy has produced a robust housing market and continuing high levels of construction activity. While creating opportunities for citizens across the state, this economic boom has also caused housing prices to soar, dimming the dream of homeownership and lessening the availability of affordable rental housing for many households.

Providing decent and affordable housing is one of the top priorities of the Dukakis administration. Working closely with the state Legislature and a strong network of locally based housing developers and providers, the state is taking great strides to meet the challenge of providing affordable housing for the citizens of the Commonwealth.

Affordable housing is the focus of this guide. It is intended for builders and developers, community development corporations and non-profit agencies, elected city officials and locally appointed staff people, lenders, business people, and consumer and housing advocates. Anyone with an interest in producing, maintaining, or improving affordable housing should find this guide helpful. It provides information on available resources, offers practical strategies for producing affordable housing, and describes successful examples of affordable housing developments.

### A. The Affordability Problem

The private market alone can not be expected to produce affordable housing sufficient to meet increasing needs. Housing prices are at an historic high. The average price of a home in the Boston area is \$197,500 and for the state \$147,700. In order to purchase this average-priced home in Massachusetts with a 10% downpayment, a person needs a yearly income of \$66,000. The situation for renter households is no more promising. Vacancy rates are low and rents are rising. The rent necessary to amortize the cost of a new apartment is at least \$800 per month in the private market. People starting out in the housing market in Massachusetts cannot afford the costs of owning or renting a new home.

The price of land has risen in lockstep with housing prices so that only in very limited market areas is it possible to produce or rent new housing at significantly less than the prices mentioned above. To produce affordable housing requires reductions in the components of housing cost such as land, construction, infrastructure, financing, and carrying costs. Many of the programs and strategies for producing affordable housing include reductions in these and other major cost factors.

## B. The Massachusetts Housing Partnership

The Executive Office of Communities and Development (EOCD) is the Cabinet-level agency responsible for all housing and community development programs. In May 1985, the Massachusetts Housing Partnership (MHP) was created by Governor Dukakis with the specific responsibility of increasing the availability of affordable housing. Many of the programs used by MHP originate with and are administered by EOCD.

The Massachusetts Housing Partnership has mobilized, with the support of the Legislature, more than half a billion dollars in financial and technical assistance to aid local affordable housing initiatives. MHP encourages the formation of local housing partnerships, which develop locally-appropriate solutions to their housing needs. These partnerships include public, private, civic and non-profit group members. MHP is offering communities a "new way of doing business" in which communities determine housing needs, shape their own affordable housing solutions and then seek multiple resources, if necessary, through the MHP.

If your community does not already have a local housing partnership, contact others within your community who may be concerned with the need for affordable housing and who would like to do something about it. These may include your Mayor's office or Board of Selectmen, local planning and development officials, clergy, human service providers, and housing agencies.

Next, contact your area MHP regional office director who can describe to you in more detail the many resources and programs available to your community and how they may be put together to produce affordable housing. Below is a list of the regional offices:

MetroNorth and North Shore	(617) 532-1977	
MetroWest, Merrimack Valley, Northeastern	(617) 470-3800	X227
Western Massachusetts	(413) 549-6442	
Southeastern Massachusetts	(617) 727-7824	
MetroSouth and South Shore	(617) 843-1726	
Central Massachusetts	(617) 755-7737	

The MHP is a major conduit for affordable housing resources, but it is not the only source of funds. The Federal Department of Housing and Urban Development and other government organizations administer a variety of housing and community development programs which should also be used and which are described in this Guide. Local financial institutions, charitable organizations, unions, churches and businesses may be willing to provide financial resources and lend political support.



### C. Assessing Local Needs and Available Resources

Once a local affordable housing partnership has been formed, and the MHP regional directors have been contacted, a community should then make an assessment of its affordable housing needs. The questions asked should include whether the housing should be for rental or homeownership, single family or multi-family, for low or moderate income people, for families, special needs populations, or the elderly. Only after forming a clear picture of local housing needs should efforts be made to develop particular types of housing. State and federal programs described in this guide are available for the development of housing to meet these needs. These programs, however, should be augmented by the resources of cities and towns. Communities are often important partners in affordable housing initiatives. Many things can be done at the local level to increase the economic feasibility and political possibility that affordable housing can be built.

Communities can donate town-owned sites or reduce land costs through such zoning changes as increasing density, or allowing cluster housing or multifamily structures. Communities can also take the initiative by enacting inclusionary zoning requirements or linkage provisions requiring the production of affordable housing. Price reductions in application fees, utility hookups, inspections and real estate taxes have been used to improve the economic feasibility of affordable housing.

A community can also help by providing needed political support for affordable housing. In a time when so many developments are politically opposed and mired in approval processes, the prospect of local support and participation in the private production of affordable housing is very attractive to developers. Local participation may reduce the risks of the approval process and therefore the cost of carrying land and development planning.

In communities where less than 10% of the existing housing is subsidized for low and moderate income housing, a public agency or a non-profit or limited-dividend private developer may seek limited suspension of local zoning regulations under Chapter 774. The local Zoning Board of Appeals may turn down an applicant seeking approval for an affordable housing development, but the decision may be appealed to the Housing Appeals Committee which often has overruled local ZBA decisions in favor of proposals for affordable housing.

The Chapter 774 approval process may also be used on a "friendly" basis in those communities where more than 10% of the housing stock is subsidized. Even in communities where less than 10% of the housing is for low and moderate income people, the 774

approval process may be used in situations where a developer and the community agree on a specific development program for a site and then need a zoning approval process to legalize the arrangement. The 774 approval process, if not appealed, takes less time than the process for approving a zoning variance, and has straightforward and simplified application requirements.

In circumstances in which a community is found to be avoiding its obligation of providing affordable housing, it may be necessary for EOCD to exercise some of its authority under Executive Order 215. Executive Order 215 is a state policy, formally adopted in 1982, that links city and town eligibility for state discretionary grants to local policies on development of affordable housing. Types of discretionary funding affected are those for economic development, open space and recreation programs, conservation land purchases, construction of parking facilities, convention centers, sewer and water systems and various technical assistance programs.

Executive Order 215 directs EOCD to review the housing policies of all cities and towns that apply for these state discretionary funds, and to withhold awards of these funds from communities which, after review, are determined by EOCD to have local practices, policies or regulations that unreasonably exclude the development of housing for low and moderate income households. EOCD may waive such a determination if a community has developed, or agrees to develop, a specific strategy to facilitate the development of affordable housing.

A review of local housing policy by EOCD can be triggered in several ways: upon a community's application for a state discretionary grant, upon a written complaint by a public official or private citizens, in response to a community's pattern of opposition to affordable housing proposals, upon an actual or proposed local action (such as a housing moratorium) that may be exclusionary, or upon other agency review criteria.

## II. PRE-DEVELOPMENT AND PROJECT PLANNING

The Executive Office of Communities and Development has several technical assistance resources available to help a local community accomplish the first steps toward implementing a local housing initiative.

### A. CEDAC

Technical assistance is available through a state funded agency known as the Community Economic Development Assistance Corporation, or CEDAC. CEDAC provides technical assistance and



interest-free loans to non-profit development agencies to aid in the initiation and predevelopment of projects. CEDAC offers three types of loans:

- 1) Site Control loans - Loans of up to \$40,000 can be used to option a property or to make a down payment on a purchase and sale agreement. CEDAC can make an immediate \$2,500 advance to eligible organizations to bind an option while reviewing the project loan more completely.
- 2) Technical Assistance Advances - loans of up to \$40,000 (the exact amount depends on the project's size) can be made to cover architectural, engineering, legal, environmental and other development planning services.
- 3) Front Money Loan - Once site control is established and a bank has made a preliminary commitment to finance a project, loans of up to \$75,000 (again, exact amount depends on the project's size) can be made to enable the developer to meet a bank's conditions for closing on the construction loan.

Applications to CEDAC for these programs may be made at any time. In addition, CEDAC provides Equity Financing Guarantees to MHP developments to insure the availability of needed equity funds during the first year or two following a construction loan closing.

For more information call (617) 727-0506.

#### B. Municipal Advance Program (MAP)

The Municipal Advance Program provides technical assistance funds to municipalities which have established local housing partnerships and are either developing affordable housing projects or evaluating housing projects proposed by private developers. There are two forms of assistance. Mini-Advances of up to \$5,000 are to fund small, specific, pre-development tasks essential to the initiation of a development, such as site surveys, soil tests, title searches and other predevelopment activities. Development Advances of up to \$20,000 are available for broader, more complex, pre-construction activities such as inventorying developable land, preparation of developers kits, project planning, feasibility studies, schematic designs, and analysis of regulatory controls and zoning.



Both forms of assistance are provided directly to municipalities and are intended for the hiring of consultants at key points in the development process, where the lack of funds could prevent project implementation. Repayment of the advance will be expected when feasible, such as when there are proceeds from the sale of tax-title parcels. Otherwise, the advance loans will be considered a grant. Applications from MHP communities may be made at any time during the year to MHP or EOCD.

For more information, call (617) 727-0494 or 727-8690.

If a community is not an MHP Partnership Community, yet needs assistance in studying a particular project, Feasibility Study Grants are available from the Municipal Division of EOCD. Since the primary focus of this grant money is to promote economic development, it can be used to study the feasibility of a mixed-use project that would include commercial space and housing. For more information, call (617) 727-3253.

#### C. Strategic Planning Grants

Strategic Planning Grants are designed to create appropriate and balanced responses to the challenge of local growth problems. Planning grants from the Municipal Division of EOCD enable individual communities and groups of communities to retain consultants who can help research significant local or regional land use issues and formulate solutions to pressing growth problems. Up to \$30,000 is available to individual community applicants and up to \$50,000 is available for regional applicants. Regional applications should be from organized groups of communities or regional planning agencies. Mini-grants and special needs grants are also available for startup activities and unforeseen planning issues, respectively. Applications for municipal and regional grants are accepted at the start of the fiscal year. Mini-grants and special needs grant applications are accepted year round. In awarding grants, EOCD will evaluate the need, commitment to affordable housing, and local support for planning efforts.

For more information call (617) 727-3197.

#### D. Challenge Grants

The Challenge Grant program is designed to fund innovative strategies for preserving or creating affordable housing. Applicants can include municipalities, non-profit or for-profit corporations, community groups, tenant organizations, architects, engineers, builders, and others. Proposals can be in any of the following categories: physical design, land use management, finance, project packaging, communication and education, or a

combination of the above. Grants of up to \$50,000 will be awarded competitively on the basis of a proposal's innovation, replicability, and the degree to which the project supports the goal of affordable housing production. The administering agency is MHP and applications and awards will be made once a year.

For more information call (617) 727-7824.

### III. RENTAL PRODUCTION PROGRAMS TO PRODUCE AFFORDABLE HOUSING

#### A. Public Rental Production: The New Face of Massachusetts Public Housing

The preservation, modernization and creation of new, publicly-owned rental housing are important in any community's efforts to keep and provide affordable housing. Public housing is sometimes the only housing available in a community for people with very low incomes, and there are over 65,000 units of public housing in the Commonwealth. Almost three quarters of the towns and cities in Massachusetts have established local housing authorities which are responsible for the administration and management of public housing. Equally important, however, is the role these housing authorities play in the development of additional units of housing for low income people year after year.

The term "public housing" conjures up the image of closely-packed, large brick buildings located in urban areas. Although much of public housing built in the post-World War II era fits this stereotype, the public housing being built today does not. Recently housing authorities have been building housing which is compatible in scale and density with the surrounding neighborhood.

All public housing is owned by the local housing authority within your community or region. Public housing tenants must have incomes well below the area-wide median. The actual percentage below the median income depends on whether the development is state or federally funded. Tenants pay 25% of their income for rent in state-funded housing, and 30% of their income in federally-funded housing. The state, through EOCD, or HUD, for federal projects, makes up the difference between that contribution and the actual cost to the housing authority to operate the housing. Elderly persons must be over 62 years of age to live in a development funded by either the state or the federal government.

1. Producing Family Housing: The Chapter 705 Program

EOCD provides capital grants to housing authorities for the production of family housing units through the Chapter 705 program. This program enables the authorities to construct scattered-site housing designed to be compatible in scale and density with the neighborhoods in which they are sited. Chapter 705 units may be built as duplexes, townhouses, or converted from abandoned schools or commercial buildings.

Because of the pressing need, the Chapter 705 program encourages the construction of new duplex units containing at least three bedrooms to address the acute housing problems of larger families.

In the 1985 Housing Act, \$101 million was made available for the construction of family housing by local housing authorities in 1986 and 1987. Approximately 1,000 new family housing units have or will be constructed with this funding. The 1987 Housing Bill includes \$100 million for the development of an additional 1,000 family housing units.

For the construction of 705 family housing, communities are urged to donate one or more sites to accommodate a minimum of 12 units. As long as sufficient sites are available, there is no limit to the number of units for which a housing authority may apply. In order to integrate this housing into existing neighborhoods, no more than 24 units may be developed on one site. Sites that are located near community services and with existing infrastructure are preferred. A local housing authority can use Chapter 705 funds to acquire multi-family buildings, or to purchase condominiums in a privately owned or HOP-funded development. The inclusion of a wheelchair accessible unit in each development is a program goal. (In developments of more than 20 units, 5% of the units are required to be accessible.)

For more information call (617) 727-5884.

2. Producing Elderly Housing: The Chapter 667 Program

The Chapter 667 program provides funds to local housing authorities to develop housing for low-income elderly and handicapped persons. The types of apartments created may be one bedrooms, one bedrooms mixed with congregate units, or all congregate facilities.



Chapter 667 projects look like conventional apartment developments. Residents share community and laundry rooms and reception space. In congregate living facilities, each resident has a bed/sitting room and shares a living room, dining room and kitchen. Additional support services are provided if needed to residents in congregate housing. The inclusion of a wheelchair accessible unit in each development is a program goal. (In developments of more than 20 units, 5% of the units are required to be accessible.)

The production of elderly public housing in a community is linked to the production of family public housing. EOCD requires that:

- 1) For every three elderly housing units, one family housing unit must be developed.
- 2) Town/cities must apply for a minimum of 12 family units at one time.
- 3) The recommended minimum proposal for elderly housing is 40 units.

EOCD also requires that every community applicant for elderly housing apply for Chapter 689 funds to develop residential facilities for people who are mentally ill.

Communities are urged to find sites for new construction or abandoned buildings in downtown areas for adaptive reuse under the Chapter 667 program. Communities must apply for a minimum of 40 units, although in special cases they may request fewer units. Acquisition of condominiums in private developments is also possible with this program.

The 1985 Housing Act authorized \$66.6 million for local housing authorities to construct approximately 1,000 elderly housing units. The 1987 Housing Bill will make an additional \$66.6 million available for the creation of an additional 1,000 elderly units.

For more information, call (617) 727-5884.

### 3. Producing Housing for Persons with Special Needs: Chapter 689

The Chapter 689 program provides capital grants to local housing authorities for construction or acquisition of small scale housing for people with disabilities. In recent years, housing and necessary services have been provided for people who are

mentally ill, developmentally disabled, substance abusers, abused adolescents, pregnant and parenting teens, and the mobility-impaired.(1)

Chapter 689 housing may be provided in an array of settings, including shared houses, shared apartments, shelters, and recovery facilities. The construction of new housing is preferred because it allows for special design and operational facilities, however, existing structures may be rehabilitated and adaptive reuse of buildings is possible.

A crucial element to the provision of special needs housing is the inclusion of social services for occupants. Housing in this program is produced by a collaborative effort on the part of the local housing authority and a human service agency, which must be approved by the Executive Office of Human Services.

The 1985 Housing Act provided \$30.3 million in funding to produce special needs housing under Chapter 689. A total of 400 new special needs housing units have or will be developed with this funding. The 1987 Housing Bill includes funding of \$22 million for special needs housing and also includes \$30 million for innovative housing with a transitional housing emphasis. This housing will be developed through community development corporations and local housing authorities. The Capital Outlay Bill proposes \$32 million for 689 housing for the mentally ill and an additional \$18 million for the development of housing for mentally retarded adults deinstitutionalized per a federal consent decree entered into by the Commonwealth in 1978.

For more information call (617) 727-5884.

#### 4. How Your Community Can Obtain State Public Housing Funds

Local communities may apply for most of EOCD's public housing programs through their local housing authorities. Local housing authorities and social service providers must apply jointly for Chapter 689 funding.

A recent change in the public housing development process will make 705, 689, and 667 funds available in three funding cycles during the year. This change was initiated in order to make public housing development resources available on a regular and predictable basis in order to support local planning efforts.

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(1) Chapter 689 will fund programs for the mobility-impaired that include a service component. For independent people who use wheel chairs, multi-bedroom accessible apartments can be built under the Chapter 705 program and single bedroom accessible units can be built under the Chapter 667 Program.



Communities without housing authorities are invited to form them under M.G.L. Ch. 121B, Section 3, or contract with a neighboring community under the provisions of M.G.L. Ch. 121B, Section 3A to undertake a public housing development.

## B. Private Rental Production Programs

Balancing the programs for the production of publicly-owned housing are numerous state and federal programs which can be used to create privately-owned housing in a community.

### 1. State Housing Assistance for Rental Production (SHARP)

The primary purpose of the SHARP program is to expand the supply of mixed-income rental housing in the Commonwealth, a goal which the private sector could not accomplish without some form of government aid. The program is now four years old, and to date is responsible for adding 7,427 new rental units to the housing stock. An additional \$3 million in SHARP funds was voted by the State Legislature mid-1987. This \$3 million is expected to generate approximately 750 units. Projects receiving SHARP subsidies involve new construction or substantial rehabilitation of vacant structures. Emphasis is placed on the production of units with two or more bedrooms.

Because of the acute need for low income housing in Massachusetts, at least 25% of the units in a SHARP development must be set aside for lower income households. The units are marketed to holders of either federal Section 8 or state Chapter 707 rental assistance certificates.(2) If the developer is unable to fill all the low-income units with current certificate holders, EOCD will provide backup Chapter 707 funds to the development, and the units can then be marketed to income-eligible tenants.

Construction and permanent financing for SHARP projects is provided by the Massachusetts Housing Finance Agency and is made possible through the sale of tax-exempt or taxable bonds. Subsidies are provided by EOCD to reduce the interest rates on MHFA financing to as low as 5% for the first year. This subsidy effectively amortizes the difference between what it costs to create the housing and the market rents for that area.

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(2) Because of federal tax law requirements, only those Chapter 707 certificate holders with incomes less than a certain percentage of median income (in most cases, below 50% of the median income) can be allowed to use their certificate in a SHARP development.

The amount of SHARP subsidy awarded to a development is the minimum amount necessary to make a project economically feasible. Funds are awarded as a loan, not a grant, and it is assumed that the development will become self-sustaining within 15 years. At the end of that 15-year period, SHARP funds are either repaid to MHFA or recycled back to the project if the funds will clearly benefit the low and moderate income tenants.

SHARP can also be used in combination with other resources such as private grants, Community Development Block Grants, Urban Development Action Grants, and Housing Development Grants. These grants reduce development costs and make possible further rent reductions for low and moderate income households. The SHARP program is well suited for suburban and inner city housing production. Awards are made on a competitive basis and applications are usually received by MHFA once a year. Both for-profit and non-profit developers are encouraged to apply. SHARP funds may also be obtained through the Massachusetts Housing Partnership on a continuous basis.

For more information, contact EOCD at (617) 727-7130, or the MHFA Development Department at (617) 451-3480.

## 2. Tax Exempt Local Loans to Encourage Rental Housing (TELLER)

The TELLER program was created legislatively in 1984 to give local housing authorities the option of issuing tax-exempt bonds to finance privately-owned, mixed-income rental housing. Developments financed by housing authority TELLER bonds must have 20% of their units reserved for low income households, (households earning less than 50% of the areawide median income limits when 20% of the units are set aside, or less than 60% of median when 40% of the units are set aside), with the remaining units available at market rents. The units must be rented to low income households for a minimum of 15 years - the "lock-in period". The program has already enabled housing authorities to issue over \$63 million in bonds to finance TELLER developments. This financing will result in the creation of approximately 1100 new or substantially rehabilitated housing units in six communities across the Commonwealth. Another 3500 - 4000 units are expected to be created under the TELLER program in the next few years.

TELLER can be successfully combined with other programs to produce lower-cost rental housing. The most notable example is the combination of Chapter 707 or Section 8 Rental Assistance certificates to reduce the rental cost of the housing for eligible low income households. Chapter 707 "backup" funds can be provided to the developer only for units with two or more bedrooms. Federal Section 8 moderate rehabilitation funds and



Community Development Block Grant funds can also be combined with TELLER bond financing to produce more affordable rental housing. Tax credits of 4% can also be obtained on qualified costs of construction or rehabilitation of the low income units of a TELLER project.

The Tax Reform Act of 1986 affected the TELLER program in that it eliminated many tax benefits associated with the development of rental housing, imposed deeper income targeting restrictions and a longer lock-in period for the low-income housing units. Despite these changes, TELLER continues to be a feasible housing development program.

For more information contact EOCD at (617) 727-7130.

### 3. Low Income Tax Credit Program

The production and preservation of low income housing, developed or acquired by private or non-profit developers, may be assisted by a system of tax credits resulting from the Tax Reform Act of 1986. If used effectively, the tax credit program may generate the development of over \$50 million of mixed income housing in Massachusetts per year. Projects must meet certain federal qualifications: at least 20% of the rental units must be rent restricted and occupied by households with incomes no greater than 50% of the area median income or at least 40% of the rental units must be rent restricted and occupied by households with incomes no higher than 60% of area median income. The project must be retained as rental housing for 15 years or recapture of the tax credits will occur. The tax credit is initially equal to either 9% (if financed through a conventional lender or with taxable bonds) or 4% (if tax-exempt financed) of the cost of the project for a period of ten years--or altogether 90% or 40% of the cost. The tax credits will be available for completed projects until the end of 1989.

There is an annual cap of \$7.27 million on available tax credits for conventionally-financed and taxable-bond-financed developments, and EOCD is responsible for assigning tax credits. EOCD intends to use the tax credits to leverage the maximum ratio of affordable to market-rate housing in mixed-income developments. Applications for the tax credits may be made at any time. Awards from the state's credit cap will be made through a competitive process which considers the degree to which the development meets housing needs, favorably impacts the community and is of high quality.

Tax credits on tax-exempt financed projects are not covered by the tax credit cap, since tax-exempt financing is subject to a separate cap (the so-called "private activity bond volume" cap).

Thus, a 4% tax credit is available on qualified expenditures of the low-income units of a tax-exempt-financed development. SHARP Rounds I and II projects also have a special tax credit transition rule pertaining to them.

For more information about Low Income Tax Credits call EOCD at (617) 727-7130.

#### 4. CORE FOCUS - A Commercial-Residential Strategy

CORE FOCUS is an EOCD program designed to assist communities who have mixed-use housing/commercial projects by providing "gap financing" and rental subsidies in buildings which are vacant, underutilized or in need of significant rehabilitation. Projects must be owned by private individuals or non-profit organizations.

Through one application process the program creatively combines two public resources: the Chapter 707 Moderate Rehabilitation Program and the Massachusetts Small Cities Program (Community Development Block Grant funds). The Chapter 707 Moderate Rehabilitation Program provides for rents of up to 120% of the Maximum Allowable Rents (MAR) permitted by EOCD for a particular area. Additionally, these rents are "tied" to the unit being rehabilitated, rather than to the individuals residing there, for a period of 5 years.

Massachusetts Small Cities Program (MSCP) funds are for communities who have populations of less than 50,000 and who are not considered "entitlement" communities by the U.S. Department of Housing and Urban Development. Funds may be used to assist in real property acquisition, demolition or site preparation costs, infrastructure improvements, or to finance a portion of the actual rehabilitation work to be completed.

For more information call EOCD at (617) 727-0494.

#### 5. Moderate Rehabilitation

Two programs are available to promote the renovation of existing rental units: the Chapter 707 Moderate Rehabilitation, a state program, and the Section 8 Moderate Rehabilitation, funded by the federal Department of Housing and Urban Development.

The Chapter 707 Moderate Rehabilitation program guarantees rent levels which enable private owners to amortize rehabilitation costs incurred in making improvements. Rental assistance enables low-income households to afford the increased rent of these renovated apartments. Minimum rehabilitation expenditures

are at least \$5,000 per unit. Only rents are subsidized; the property owners must obtain their own financing for improvements.

The Section 8 Moderate Rehabilitation program provides rental subsidy commitments to eligible communities to rehabilitate rental units for lower income families. Properties must be located in neighborhoods where the median income does not exceed 80% of the area median. Priority is given to projects with substandard units occupied by very low-income families.

The Chapter 707 Moderate Rehabilitation Program provides a commitment for up to 10 years of an increased rental subsidy for each rehabbed unit, while Section 8 provides a 15-year commitment of an increased rental subsidy. The increase can be as much as 20% above the allowed rents before rehabilitation. During the term of the contract the rehabilitated unit must be occupied by an eligible low-income family.

For more information about Chapter 707 Moderate Rehabilitation, contact EOCD at (617) 727-7132. For Section 8 Moderate Rehabilitation, call (617) 565-5154.

## 6. Other Housing Rehabilitation Programs

The Department of Housing and Urban Development provides funds under the Rental Rehab program for renovation of rental properties. Loans of up to \$5,000 per unit (increased in high cost areas) must be matched or exceeded by owners' contributions. Properties must be located in economically-distressed areas, and if they are held more than ten years, the loans are forgiven. The program is operated by the community development office of a city or town. If it is an entitlement community, it receives funds directly from HUD; if not, then funds are received through EOCD. Applications are reviewed by HUD yearly and if a community is awarded funds, it then makes loans to private owners.

Over \$12 million is available for the New England region from this program, which also makes commitments of rental subsidies. In entitlement communities, citizens should contact their community development department for more information. Non-entitlement communities receive funds through EOCD.

HUD's 312 program remains in existence. Over \$3.4 million is available for the New England Region. Under this program loans with a 3% interest rate are made for renovation of rental units. Further information on the rental rehabilitation and the 312 program may be obtained from HUD at (617) 565-5362.



## 7. Interim Assistance for Rental Production

The legislature recently approved a \$10 million State Development Action Grant program. Until it was approved, resources from the MHP fund were available to provide interim assistance for certain rental production projects. This state assistance is being provided in recognition that reductions in federal funds and federal tax code changes have stymied the development of certain rental projects. While the state is developing new programs to insure the viability of new rental housing development, some projects need immediate financial assistance. In order to receive short term interim financing, the developer of the rental project must be able to show that:

- The project needs to close quickly and needs a short term loan guarantee to back a bridge loan or other type of loan/equity investment in order to close, and
- Project needs only very short term financing and is likely to release the loan guarantee commitment within a relatively short period of time, and
- Project has no other means for raising equity or increasing the cash flow potential.

Priority will be given to projects that are located in weak market areas, have relatively high development costs, and will produce a high level of public benefit.

For more information, call (617) 727-7824.

## 8. Section 202 Rental Program

The Department of Housing and Urban Development's Section 202 development program is designed to produce rental housing for occupancy by the elderly, handicapped or mentally retarded individuals. Applicants for program funds must be non-profit sponsors, and their requests should range from 20 to 75 units, with no sponsor receiving more than 300 units per year. Awards are made yearly on a competitive basis and this year funding for 347 units is available for Massachusetts. The incentives of Section 202 for the production of elderly housing include permanent and construction financing at reduced rates plus Section 8 rental assistance for each unit. Predevelopment funds under the 106B program may also be available to Section 202 sponsors. Occupants of the new or substantially rehabilitated development are required to pay 30% of their income towards rent.

For more information contact the HUD Regional office at (617) 565-5154.

## 9. Farmers Home Administration

The Farmer's Home Administration (FMHA) provides funds for the development of rural rental housing under the Section 515 program and mortgage loans for first time homebuyers under the Section 502 program. In Massachusetts, approximately 220 towns and cities are eligible, and generally they are those with populations less than 10,000. Some communities between 10,000 and 20,000 are also eligible.

Family or elderly rental housing may be built under the Section 515 program. FMHA provides mortgages at 50 years for 1% interest, and this is sometimes coupled with a rental assistance program, like Section 8. The program will provide 102% financing for non-profit developers and 95% financing for limited dividend developers. Eligible tenants must have incomes less than 80% of the median income.

For more information, call the Farmers Home Administration at (413) 253-3471.

## C. Cooperatives - Combining Homeownership and Rental Concepts

Housing cooperatives are an innovative alternative to both rental housing and homeownership. A co-op is similar to a condominium, in that it allows a household to have permanent use of a unit in a multi-unit building, but the co-op does not divide the housing into individual ownership entities like a condominium. Co-op housing is owned by the co-op corporation, which is made up of its residents. The co-op corporation issues shares of stock to its members, which entitle them to a vote in co-op governance and a long-term lease on their units.

EOCD offers several forms of assistance to aid in the development of housing cooperatives, in particular, to limited equity cooperatives.(3) Technical assistance and front end money are available through CEDAC to non-profit housing co-op developers in eligible communities. Chapter 707 rental assistance through the Moderate Rehabilitation Program can be provided to low-income tenant share-holders of a limited equity cooperative for the purpose of covering the tenant's monthly carrying costs that exceed 25% of household income. These payments can be made up to the 707 maximum allowable rent level. MHFA is investigating the

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(3) Limited equity cooperatives control the resale value of co-op shares, usually allowing for some appreciation on the original sales price of the share and some increase in equity for improvements made by the tenant share-holder.

possibility of using tax-exempt bond funds to provide share loans to co-op share-holders and MHP is investigating the feasibility of using Homeownership Opportunity Program funds to reduce the interest rate on these share loans.

For more information call (617) 727-7130.

#### D. Keeping Housing Affordable: Special Assistance Programs

Various housing subsidies are available to help low and moderate income people pay for monthly housing costs. Some forms of assistance reduce rents, others reduce heating and utility costs. A few of the more important programs which help keep existing housing affordable are described below.

##### 1. Rental Assistance Programs

There are two programs that help income-eligible tenants pay rent in privately owned housing: the state Chapter 707 Program and the federal Section 8 program. Both of these programs allow tenants to live in private housing of their choice, rather than in public housing developments.

The Chapter 707 Program is administered through local housing authorities or non-profit agencies under contract with EOCD. Eligible low-income families locate housing of their choice within rent limits established by EOCD. If the apartment passes inspection by the local Board of Health, then a three-party lease may be signed between the tenant, the owner and the local housing authority. Local housing authorities must sign an annual contributions contract with EOCD for the subsidy. Under this program, tenants pay no more than 25% of their income for rent. The local housing authority makes subsidy payments directly to the landlord for the difference between the tenant-rent share and the allowable market rent for the unit.

The Section 8 Rental Assistance program is funded by the federal government through HUD, and is administered by local housing authorities. It is also administered by EOCD through eight regional agencies. Families, as well as elderly, handicapped and disabled individuals are eligible. Thirty percent of a tenant's income must go toward rent, and HUD will pay the landlord the difference between the tenant-rent share and the market rent, as long as it is less than the rent limits established by HUD for the area.



The Metropolitan Housing Assistance Program (MetHAP) is one of the eight regional subcontractors affiliated with EOCD which issue Section 8 certificates. In most cases Chapter 707 and Section 8 certificates must be used within the locality or region in which they were issued. However, Section 8 certificates issued by MetHAP can be used throughout the state. Also, 707 rental assistance certificates given to homeless families and emergency access households can initially be used in any community.

Rental Assistance certificates can be used in combination with other development programs. They are used in many Massachusetts Housing Finance Agency rental development funded by the SHARP program to subsidize the rents of low income tenants. They are also used in TELLER developments for the same purpose.

For more information about rental assistance programs, call EOCD at (617) 727-7132, or the local housing authority in your area.

## 2. Weatherization and Fuel Assistance

The Office of Energy Conservation (OEC) operates within the Division of Neighborhoods and Economic Development of EOCD. The OEC, which administers programs through 29 subgrantees, has an operating budget for 1987 of \$25.6 million. Programs include:

- 1) Weatherization Assistance Program - Up to \$2000 per unit is provided for measures such as weatherstripping, and attic, wall, perimeter, pipe and duct insulation. Home-owners and tenants can have incomes up to 175% of poverty level. (For a four-person household, 175% of poverty is an income of \$19,250.)

- 2) Heating Energy Assistance Retrofit Task Weatherization Program (HEARTWAP) provides tune ups, repairs, replacements and retrofit measures for oil, gas, coal, wood and electric systems. HEARTWAP's heating system services for homeowners and tenants are provided for clients with incomes up to 150% of poverty level. (150% of poverty level income for a four-person family is \$16,500.) There is also a companion heating system program funded by state appropriation for clients with incomes up to 175% of poverty level.

3) Multi-Family Weatherization Program (MFWAP) is an interest or principal write-down program for loans to property owners of multi-family housing with low income tenants. "Low income" is defined as 60% of median, which varies by area, but for Boston is \$20,400 for a family of four. The loans are for energy improvements and may be coordinated with rehabilitation programs.

4) Community Development Weatherization Assistance Program (CDWAP) is an initiative that links housing rehabilitation programs with weatherization. Energy improvements intended as part of the rehabilitation work can be paid for with weatherization funds, thus leveraging the rehabilitation funds to complete more improvements or to be spent on another project.

5) Shelter Weatherization Assistance Program (Shelter WAP) provides for the weatherization of group homes, rooming houses, or shelters for the homeless, troubled, or for battered persons.

The Office of Fuel Assistance (OFA) administers the federally and state funded Low Income Home Energy Assistance Program (LIHEAP). The LIHEAP program -- with annual Federal funding of \$76.4 million (FY 1987) and State funding of \$17 million (FY 1987) -- provides payments primarily to fuel and utility companies for winter heating and related bills. Homeowners and renters alike, including tenants whose rent includes the cost of heat, may receive up to \$750 in benefits per heating season, depending on total gross income and the number of household members.

For more information about the Weatherization programs, contact the Office of Energy Conservation at (617) 727-6964. For Fuel Assistance, call the Office of Fuel Assistance, (617) 727-3246.

#### IV. Homeownership Production Programs for Affordable Housing

Because of the skyrocketing real estate prices over the past few years, the number of affordable "starter homes" has dwindled significantly. As a result, the dream of owning a home is becoming beyond the reach of many would-be first-time homebuyers. High on the priority list for the Massachusetts Housing Partnership is the task of increasing the supply of affordable homes for first-time homebuyers of low and moderate income.



A. Massachusetts Housing Partnership Homeownership Opportunity Program

The Homeownership Opportunity Program (HOP) is a major new program of the MHP which is designed to produce affordable housing for first time homebuyers. Funding currently is available under this program for the production of approximately 4500 affordably priced units.

Funding for the HOP Program is made possible by a variety of resources. Currently \$225 million has been committed to the HOP; \$200 million in low interest mortgages will be provided by MHFA; \$20 million will be used by MHP to further reduce these mortgages by as much as 3% more during the initial years of the mortgage. In addition, \$5 million in Community Development Action Grant (CDAG) funds has been committed to fund the construction of infrastructure improvements on a HOP site.

A HOP development is required to contain a significant number of affordable homes for moderate-income, first-time homebuyers. At least 25% of each HOP development (40% in developments involving a comprehensive permit) must be affordable according to the requirements of the program; with a preferred ratio of one state-assisted unit for every state-financed unit. The remaining units may be sold at market prices and be conventionally financed.

Financing for first-time homebuyers of the affordable and most affordable homes is provided by the Massachusetts Housing Finance Agency. These mortgages require the buyer to make down payments of at least 5% of the purchase price of the house. Closing costs, such as points and title search fees, may add approximately another 5% of the mortgage amount to funds required for closing the loan. MHFA mortgage underwriting requirements will be used by banks to approve eligible buyers. State-financed units receive mortgages at the MHFA rate, which is currently about 8%. State-assisted units have mortgages also provided by MHFA, but with the interest rate even further reduced; currently approximately 3 percentage points below the MHFA rate, or to 5%. This reduced interest rate will gradually increase over the term of the loan until it reaches, in year ten, the MHFA rate at the time of the initial closing. A portion of the subsidy used to write-down the interest rate of this loan may be recaptured by MHP when the home is sold.

<u>AFFORDABLE TYPE</u>	<u>HOUSEHOLD INCOME</u>	<u>HOME PURCHASE PRICES</u>	<u>INTEREST RATES</u>
<u>State-Assisted</u>			
Boston Area	up to \$29,900	up to \$86,000	5% initial
Balance of State	up to \$27,600	up to \$78,500	5% rate
<u>State-Financed</u>			
State-wide	up to \$43,000	up to \$110,000	8%

Income limits for State-Assisted units are based on a family size of up to four persons; limits increase with larger family sizes. The income limits for State-Financed units are also for a family of four, but these limits decrease for smaller family sizes and increase with larger family sizes. Purchase prices for State-Assisted units also vary according to the number of bedrooms in the unit. More specific information can be obtained through the MHP regional offices, or by calling (617) 727-7824.

The HOP Program has been designed to be very flexible, within secondary market and mortgage insurance industry standards. Many different housing types may be built, such as single family homes, attached townhouses, garden style or high rise buildings. Developments can have one of several different types of ownership including fee simple, condominium, or cooperative arrangements. While new construction is envisioned for developments, adaptive reuse of buildings never previously utilized for housing and the rehabilitation of structures that have been vacant for at least three years is permitted. Furthermore, no single construction style is preferred; units may be stick-built, modular, or manufactured.

A unique feature of the HOP program allows communities which make significant contributions to a HOP development to reserve a substantial number of the affordable units for local residents. This may be done as long as this local preference is consistent with affirmative marketing requirements. Examples of contributions that a local community may make to a project include: donating sites, donating surplus buildings, committing local funds, waiving permit fees; increasing density for a site, or allowing a "friendly" comprehensive permit.

An important element of the HOP program is the preservation of the affordable housing units for an extended period of time. Therefore, the affordable homes will have deed restrictions which limit their resale price for a period of 40 years, while allowing each homeowner a fair investment return. Additionally, the community and MHP must be notified when a home is to be sold and given an opportunity to find an eligible buyer for that home.



The HOP Program encourages program flexibility and the use of other resources as long as they address local housing needs and expand the supply of affordable housing within the community. Towards this end, additional MHP resources have been committed to reduce the cost of units constructed as part of a HOP development. CDAG funds and other monies are available for roads and other infrastructure costs which should allow the cost of the units to be substantially reduced. Rental units subsidized by Chapter 707 or SHARP programs may also be used in HOP developments allowing the units to be rented to lower income families. (However, currently the number of rental units may not exceed 20% of the total number of units in the development.) Finally, communities may purchase homes in HOP developments through local housing authorities and the use of the state's Chapter 667, 689 and 705 programs (elderly, handicapped, and family programs). These units will be considered investor-owned.

A HOP project is submitted to the Massachusetts Housing Partnership first for preliminary approval. Once MHP's approval is obtained, a more detailed application must be submitted to the Massachusetts Housing Finance Agency (MHFA). MHFA staff reviews the HOP project for compliance with MHFA HOP guidelines before issuing final approval.

Communities interested in learning more about the HOP program should contact the MHP regional office director in their area, or call (617) 727-7824.

#### B. MHFA Home Mortgage Loan Programs

In addition to participating in the Homeownership Opportunity Program, the Massachusetts Housing Finance Agency (MHFA) provides below-market-rate mortgages for homeowners through the General Lending, the Neighborhood Rehabilitation, and the New Construction Programs. Generally, a percentage of the General Lending Fund is reserved for priority borrowers - lower income and minority households, qualified Vietnam veterans and households with a physically handicapped person. The loans are offered through participatory lenders across the state. Since 1979, more than 15,000 households have benefitted from these programs.

MHFA mortgages carry interest rates usually two percentage points lower than conventional loans, are fixed for terms generally running from 26 to 30 years, and require a minimum of 5% down from the borrower's own funds, plus closing costs. Income and purchase limits vary by bond issue. For information on current limits, available funding, or a brochure about MHFA's Mortgage Purchase Programs, call MHFA's Office of Single Family Programs at (617) 451-2766.



### C. Farmers Home Administration

The Section 512 Rural Homeownership Program offers mortgages to first time homebuyers at interest rates as low as 1%. The actual interest rate depends on a family's income. To be eligible a buyer's income must be less than 80% of the median and priority is given to those with incomes below 50% of the median income. No downpayment is required and closing costs can be included in the loan. Purchase price limits are \$80,000 in Massachusetts, regardless of bedroom size, although in some areas this limit has been increased to \$85,000.

For more information, call the Farmers Home Administration at (413) 253-3471.

### V. Special Programs to Augment Rental and Homeownership Production Programs

Several federal and state programs that can be combined with several of the housing programs mentioned above are described in this section. These descriptions are followed by examples of how all of the programs described in this guide can be combined and used to produce affordable housing by local housing partnerships.

#### A. Urban Development Action Grants (UDAGs)

The purpose of Urban Development Action Grants (UDAGs) is to assist economically distressed cities and stimulate economic recovery. Current national funding for the program is \$168 million for communities over 50,000 and \$56 million for communities under 50,000. Massachusetts generally obtains about 10% of the UDAG funding yearly. UDAGs have been used to promote industrial, commercial, residential and mixed use projects. UDAG funds may be used for infrastructure improvements, second mortgage financing, interest rate write-downs, grants, or in other ways to make otherwise infeasible development projects feasible. The range of projects and forms of UDAG assistance are far ranging, yet each project must pass the test that "but for the UDAG, the project would not be implemented." UDAG funding may be used only to fund the differences between the cost and the market value of rental or for sale housing.

The award of UDAG funds by the federal department of Housing and Urban Development is made on a competitive basis. Major criteria

for selection are: the comparative degree of economic distress, the number of jobs created by the project, the degree to which private and other public funds are leveraged, the degree to which public and private commitments are firm, the extent of positive economic impact, and the extent of minority business participation. A 100 point evaluation system is used. Seventy points relate to economic distress levels of the project area and 30 points relate to other project factors.

UDAGs may be used to support rental, for sale, or mixed-use projects. For these types of projects, there is a maximum grant allocation of \$15,000 per unit. UDAGs are used effectively in combination with SHARP and other rental housing programs.

Applications are reviewed by HUD three times a year and should be made at the regional and central offices. Awards are made in Washington upon the recommendation of the regional offices. Further information on the UDAG program may be obtained from the Department of Housing and Urban Development in Boston, at (617) 565-5386.

#### B. Housing Development Grants (HoDAGs)

Through the Housing Development Grant Program, the Department of Housing and Urban Development (HUD) offers grants to municipalities which in turn use these funds to make loans, grants, interest reduction payments and other forms of assistance to support the production or renovation of rental housing. HUD has designated certain communities as automatically eligible for this assistance, otherwise projects must meet special housing needs or be in a neighborhood preservation area.

At least 20% of the units in an assisted project must be intended for occupancy by low income families for at least 20 years.(4) Projects from 20 to 200 units are eligible for funding. The grant amount may not exceed 50% of HUD's determination of the total costs associated with construction or substantial rehabilitation of the project. Requests must be primarily for residential rental purposes; only limited commercial space is permissible. HoDAGs have been successfully combined with other state programs such as SHARP, and the Chapter 707 and Section 8 programs so that more than 20% affordability is provided in a development.

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(4) Low-income families must have incomes below 50% of the median and pay no more than 30% of their income for rent. In order to assist in the financial feasibility of these projects, EOCD will provide 707 back-up to a project with a HoDAG.

Program funding for 1987 amounts to \$99 million nationally. The Commonwealth has typically fared far better in awards than many other states. Awards are made on a competitive basis, based on the need for the housing, quality and feasibility of the development, the cost effectiveness of the award, and a number of other factors. Applications should be made by communities simultaneously to HUD in Washington, D.C. and the HUD regional office. For more information call the HoDAG coordinator for this region at (617) 565-5154.

### C. Community Development Block Grant Funds (CDBG)

The federal government provides CDBG (non-categorical) funds to certain "entitlement" cities in the Commonwealth; a total of 31 cities in the state. These local communities then develop programs that use these funds, which may include housing rehabilitation, housing construction, job development and commercial revitalization, business development programs, and construction of public facilities.

Within federal guidelines, local communities actually have a great deal of flexibility in planning programs to be funded by CDBG funds. The activities must be related to a community development strategy and statement of need and must benefit principally low and moderate income residents. More information may be obtained from local community development departments or other local agents responsible for administering the program.

If you live in an entitlement city, contact your local community development department for more information about CDBG funds.

### D. Massachusetts Small Cities Program

Through EOCD's Small Cities Program, Federal Community Development Block Grant funds are also available to cities and towns of less than 50,000 that have not received "entitlement" status from HUD. CDBG funds can be used to fund housing rehabilitation, commercial renovation, infrastructure improvements and social service programs. Generally, activities funded must principally benefit low and moderate income people. The grants are awarded annually.

Affordable housing initiatives can be supported through the General Fund or the Housing Development Fund. General Fund awards, based on competitive rounds usually held in the summer, range from \$100,000 to \$700,000 per year with a maximum two year duration. Within the General Fund, there is a set-aside to support innovative proposals throughout the year, with a maximum award amount of \$30,000.



The Housing Development Fund supports the CORE FOCUS program and the Housing Development Support Program. (For a description of the CORE FOCUS program, see page 16). Through the Housing Development Support Program (HDSP) Small Cities Funds are provided to communities to carry out a variety of activities in support of the development of either public housing or private housing which will be affordable to low and moderate income persons. Eligible activities include, but are not limited to, the following: infrastructure improvements, acquisition of land, site preparation, and assistance in the rehabilitation of buildings.

Following the issuance of a request for proposals, applications are accepted throughout the year. Communities may receive more than one HDSP award per program year, up to a maximum total assistance of \$300,000 per community.

For more information, contact the Massachusetts Small Cities Program at EOCD, at (617) 727-0494.

#### E. Community Development Action Grants (CDAGs)

The CDAG program is a valuable development tool offered by the Commonwealth to support projects aimed at attracting and leveraging private investment, creating new employment opportunities and revitalizing distressed areas in cities and towns throughout the state. CDAG funds may be used to make affordable housing developments feasible or increase the number of affordable units.

EOCD has responsibility for the administration and implementation of CDAG. The program is funded by general obligation bonds of the Commonwealth. Local communities can apply for CDAG funding to finance part of the publicly-owned infrastructure of a new housing development, such as roads or sewers.

CDAG applications are invited in competitive rounds, except that applications for \$500,000 or less which support affordable housing developments may be submitted at any time. Applications must show a private to public CDAG leverage of at least 2.5 to 1 and awards for affordable housing are limited to \$10,000 per affordable housing unit created.

For more information, call (617) 727-3197.

### G. Housing Abandonment Program

Housing Abandonment Grants are available to nonprofit organizations and municipal agencies and are intended to prevent or remedy residential building abandonment by stimulating the early stages of the redevelopment process. Program funds may be used for financial packaging, emergency repairs, and predevelopment work, but are not for permanent rehabilitation. Project properties must be either tax delinquent (or foreclosed), seriously deteriorated, or totally or partially unoccupied.

Types of activities which might be funded under this program:

- Emergency repairs such as boarding and otherwise securing vacant property.
- Interim operating and repair costs for short-term management of property which is occupied by low and moderate income tenants.
- Development of expedited processes for the identification and disposition of residential property.
- Consulting costs such as site selection, preliminary architectural work, and cost estimating associated with the development of rehabilitation plans for vacant or partially vacant property.

For more information call the housing abandonment coordinator at (617) 727-7127.

## VI. Successful Examples of Local Partnerships in Action

After reading through the housing program descriptions above, you probably have an idea as to how you want to proceed and may have chosen the types of housing you want to develop in your community: public or private rental housing or single family homes or condominiums for homeownership. The examples presented below describe how several Massachusetts communities combined resources to produce the types of housing desired and needed in their communities. These examples are presented here to help you think about how to put together a local housing partnership to produce affordable housing in your community.

### A. Katahdin Woods, Lexington

Katahdin Woods was a "friendly" Chapter 774 rental development presented to the Lexington Zoning Board of Appeals by Boston Investment and Development Company. It consists of 128 apartments on a 12-acre site, 20% of which are reserved for low income tenants. The development was made economically feasible by the use of low-income tax credits and rent-skewing. The rents for the market rate units are

sufficient to compensate for the restricted rents of the low and moderate income units. The total development cost of the project is \$12,750,000, and the low income tax credit is \$2,161,920 or \$216,192 a year for the next ten years.

The approval of the comprehensive permit resulted from combined efforts and lengthy negotiation process between the Town Boards and the developers. Some of the innovative provisions in the permit are:

- inclusion of a disproportionate number of three-bedroom townhouses set aside for low and moderate income families.
- 26 low income units will be sold to the town at the original development cost if the development is sold; if the owner retains the development the units must be rented at low and moderate income rents.
- a significant cash contribution by the developer to the town for public improvements near the project.
- granting of a conservation easement and rehabilitation of a carpath to provide public access to conservation land.

Construction financing was provided to the development through the Shawmut Bank and permanent financing was provided by Aetna Casualty and Surety Company in a unique joint venture arrangement. Aetna is a participatory lender and shares in the risks, capital requirements, and residuals.

B. Battle Road Farm, Lincoln

Battle Road Farm is an innovative 120-unit HOP development in Lincoln, which is being developed by Lincoln House Associates, a joint venture of The Cottonwood Company and Keen Development Corporation.

This development will offer a wide range of affordable units. Of the 120 condominiums, 33 are designated for purchase by moderate-income first-time homebuyers at a price of \$81,000 for a 2-bedroom and \$93,000 for a 3-bedroom unit. Another 33 units will be available at prices between \$105,000 and \$115,000. Six units will be retained by the developer for rental to low-income families using either the Chapter 707 or Section 8 programs. The remaining units will be sold at market levels.



Many contributions from public and private resources made these special housing prices possible. Reduced rate mortgages will be provided through MHFA and HOP, and a CDAG grant of \$500,000 for infrastructure improvements will result in direct price reductions on the affordable units. The Town of Lincoln sold the land to the developer at a reduced price, and rezoned the land to provide the increased density which greatly reduced the land cost per unit. The developer was able to offer the price reduced units at less than cost because of the balancing profit made on the market homes.

The Town of Lincoln took the initiative in making this development possible by purchasing the land, formulating a development program for affordable housing, seeking developers through a Request for Proposals, and making important political efforts to insure the approval of the development plan. The Selectmen, Planning Board, Conservation Commission, and Housing Commission jointly sponsored and presented this proposal to Town Meeting, where it was approved by a margin of nine to one.

C. Chelsea Neighborhood Housing Services, Chelsea

Chelsea Neighborhood Housing Services, Inc. (CNHS), a private, non-profit community based organization, is developing eleven condominium units on two sites in Chelsea, which will be sold at cost to moderate income owners (through the MHFA and HOP programs.) One of the sites was donated by the Boston Five Cents Savings Bank; the other was purchased by CNHS several years ago.

Community Development Block Grant funds of \$45,000 from the Massachusetts Small Cities Program through the City of Chelsea were applied to the development, which makes it possible to sell all the units for prices within the Homeownership Opportunity Program guidelines. Sales prices will be skewed, ranging from \$82,000 to \$107,000. Low interest mortgages will be provided to first time homebuyers through HOP and MHFA.

D. Aurora Hotel, Worcester

Located near downtown Worcester, the vacant Aurora Hotel is being rehabilitated by the Greater Boston Community Development, Inc. (GBCD), a non-profit development corporation. GBCD has worked in cooperation with the City of Worcester and the Worcester Housing Authority. Forty-five of the 85 mixed-income efficiency apartments will be low income, and the remaining 40 units will be market rate rentals. The

project received a mortgage commitment from MHFA for construction and permanent financing for approximately \$1.97 million, and a SHARP commitment through the Mass. Housing Partnership for \$128,000.

GBCD secured the contribution of weatherization and heating system assistance grant funds. The total funds secured were based on approximately half the hotel being occupied by low-income tenants. EOCD also provided 707 backup rental subsidies for 30 units. The Worcester Housing Authority provided Rental Rehabilitation funds to the project which will provide 15 Section 8 certificates and \$100,000 in grant funds toward rehabilitation costs. This adds up to 45 units for low income renters. Forty of the 85 units will be rented at market rental rates.

Units will be marketed first to people on the Worcester Housing Authority waiting list.

E. Whitney Carriage Park Apartments, Leominster

The Whitney Carriage Park Apartments is an historic rehabilitation of an industrial site along the Monoosnock River in Leominster. The mill buildings, constructed in the 1880's, are being renovated, and several new woodframe townhouse structures will be built. The industrial tenants who were in the buildings have been relocated nearby. The development consists of 181 rental units, of which 25% are designated for low income occupancy.

A variety of resources were combined to make this development possible. A HoDAG of \$2,426,711 and a SHARP subsidy of \$586,748 were awarded to the project. Taxable bonds were used to finance the development, and it was also allocated a low income housing tax credit of 9%. This tax credit reservation of approximately \$430,000, plus the historic rehabilitation tax credit for which the project is eligible, have been syndicated in order to raise equity for the project.

Section 8 or Chapter 707 certificates will be used for the 45 low-income units. In addition, a CDAG grant of \$1 million was used to make improvements in the sewage system in the neighborhood of the development.

## VII. CONCLUSION

This guide has described many resources for the production and retention of affordable housing. While the federal government has eliminated or cut back many housing and development programs, the Commonwealth has stepped in to fill the void. New programs now exist and financial commitments for affordable housing have increased. The clearest sign of these financial and program commitments is the creation of the Massachusetts Housing Partnership. The goals and operational philosophies of the MHP serve to distill the appropriate direction for affordable housing initiatives. Affordable housing needs must be identified, resources must be pooled, partnerships consisting of political and financial commitments must be formed, and affordable housing will be built.



## Contacts for each Program

CEDAC - Carl Sussman at 727-0506.

Municipal Advance Program - Steven Merriam (617) 727-8690  
David Larson (617) 727-0494

Feasibility Study Grants - Carolyn Britt at 727-3253.

Strategic Planning Grants - Elizabeth Pasierb or Mark  
Siegenthaler at (617) 727-3197.

Challenge Grants - Carl White at (617) 727-7824.

Chapter 705 Family Housing - Suzanne Barclay at (617) 727-5884.

Chapter 667 Elderly Housing - Dorothy Altman (617) 727-5884.

Chapter 689 - Robert Nason (617) 727-5884.

SHARP - (EOCD) Cesar Zapata (617) 727-7130.

- MHFA Development (617) 451-3480.

TELLER - Gail Monahan (617) 727-7130.

Low-Income Tax Credits - Gail Monahan (617) 727-7130.

CORE FOCUS - Toni Coyne Hall (617) 727-0494.

Chapter 707 Moderate Rehabilitation - Paul Nixon (617) 727-7132.

Section 8 Moderate Rehabilitation - Steve Wasco (617) 565-5154.

HUD Rental Rehabilitation - (617) 565-5362

HUD Rental Rehab for Non-entitlement communities - Scott Hebert  
at EOCD (617) 727-8690

HUD 312 Rental Rehab - James Pheiffer (617) 565-5362.

Section 202 Rental Housing - Steve Wasco (617) 565-5154.

Farmers Home Administration - Everett C. Paluska (413) 253-3471.

Cooperatives - Gail Monahan (617) 727-7130

Section 8 and Chapter 707 Rental Assistance - Ann Anderson (617)  
727-7132.

Weatherization - Gwen Pelletier (617) 727-6964.

Fuel Assistance - Marc Young (617) 727-3246.

MHFA Office of Single Family Programs (617) 451-2766.

UDAG - Rick Patoski (617) 565-5386.

HoDAG - Steve Wasco (617) 565-5154.

CDBG - contact your local community development office.

Small Cities - Scott Hebert, (617) 727-0494.

CDAG - David Dronsick, (617) 727-3197.

Housing Abandonment - Bridget Nedzi, (617) 727-7127.







